

TERMINATION

DATE 12-1-12
 LEASING Globe JD
 MAPS _____
 GIS _____

Rentals: MS

Lease JD

Admin: JD

Mineral JD

Maps: JD

GIS JD

FREE ROYALTY
 STATE LEASE

MF102371

CONTROL	BASEFILE	COUNTY
08-20214	150771 -	LIPSCOMB /148

SURVEY : SANSING ROY
 BLOCK : S&S
 TOWNSHIP : 00
 SECTION/TRACT: ~~24~~ ~~24~~ 24 ONLY
 PART :
 ACRES : 77.55
 DEPTH LIMITS : NO

LESSEE : MCGEE TOM CORP
 LEASE DATE : Jun 01 1993
 PRIMARY TERM : 180 days
 BONUS (\$) : 10.00
 RENTAL (\$) : 0.00
 ROYALTY : 0.06250000
 VAR ROYALTY :



CONTENTS OF FILE NO. MF102371

- | | |
|---|-----------|
| 1. Do. | 3-25-2003 |
| 1. Lease | 3/26/02 |
| 2. GLO letter | 4/1/02 |
| 3. Billing McGee Corp | 9-9-02 |
| 4. Waiver letter | 1-21-03 |
| 5. Notice from operator - well
to be plugged | 1-29-13 |

Scanned W 5-18-2015

TOM MCGEE CORP
P.O. BOX 276
BOOKER, TX 79005
806-658-4591
FAX 806-658-4593

TO: Land Office

FROM: PD Rogers

ATTENTION: Scott

DATE: 3-25-02

TIME: 1145

COMMENTS:

Tam Talked to the Following
People
* Donna Smith 512-463-5407
State of Texas Kristen Anderson
512-475-1507.
Notice Pay 6

PAGES TO FOLLOW: 7

LEMON, SHEARER, EHRLICH, PHILLIPS & GOOD

OTIS C. SHEARER**
CIVIL TRIAL LAW

**BOARD CERTIFIED BY THE
TEXAS BOARD OF LEGAL
SPECIALIZATION

RANDY M. PHILLIPS**

**ADMITTED TO PRACTICE IN
BOTH TEXAS AND OKLAHOMA

TELECOPY (806) 656-4534

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS AT LAW
122 S. MAIN

P. O. DRAWER 348

BOOKER, TEXAS 79005-0348

(806) 656-4545

PERRYTON, TEXAS OFFICE

ROBERT D. LEMON*
OIL AND GAS LAW

MITCHELL G. EHRLICH**
OIL AND GAS LAW

FARM AND RANCH
REAL ESTATE LAW

F. KEITH GOOD**

EDWARD L. ATKINSON

August 30, 1993

DIVISION ORDER TITLE OPINION

Legal Description

Tract 1: All of Section 24, Block S&S,
Lipscomb County, Texas, containing 71.1 acres,
more or less;

Tract 2: That part of Survey 3, Block D,
W. P. Wiser Survey, adjacent to and North of
the East Half (E/2) of Section 9, Block 10,
H.&T.B. RR. Co. Survey, Lipscomb County,
Texas, containing 91.3 acres, more or less;

Tract 3: The Northeast Quarter of Section 9,
Block 10, H.&T.B. RR. Co. Survey, Lipscomb
County, Texas.

TOM MCGEE CORP.
P. O. Box 276
Booker, Texas 79005

TEXACO TRADING & TRANSPORTATION, INC.
P. O. Box 5568
Denver, Colorado 80217-5568

GPM GAS CORPORATION
Bartlesville, Oklahoma 74004

Re: Kliever #3-24 well

Gentlemen:

Pursuant to the request of TOM MCGEE CORP., we have examined
title to the captioned property based on the following:

1. BASIS OF EXAMINATION

Our examination of the records appearing in the office of the
Lipscomb County Abstract Company in Booker, Texas and in the office
of the County Clerk of Lipscomb County, Texas, covering the period
from sovereignty to August 26, 1993 at 5:00 o'clock p.m.

Based upon our examination of the above and foregoing and subject to the comments, objections and requirements that are hereinafter made, it is our opinion that title to the captioned property was vested, as of August 26, 1993 at 5:00 o'clock p.m., as follows:

II. SURFACE

The surface to Tracts 1, 2 and 3 is vested in LARRY SCHILLING and wife, NANCY SCHILLING.

III. OIL, GAS AND OTHER MINERALS

Executive Rights, Bonus, Delay Rentals and Shut-in Royalty:

ALVIANA KLIEWER, a widow for her All
lifetime. All of these mineral
rights will vest in LARRY SCHILLING
and wife, NANCY SCHILLING upon the
death of ALVIANA KLIEWER.

Royalty:

Tract 1:

ALVIANA KLIEWER (1/5 - 1/16) = 11/80
THE STATE OF TEXAS 1/16

Tract 2:

ALVIANA KLIEWER 1/5

Tract 3:

ALVIANA KLIEWER 1/5

IV. OIL, GAS AND MINERAL LEASEHOLD

TOM MCGEE CORP. 62 1/2 %
THOMAS S. MCGEE and
LEONE MCGEE 25 %
TAM K. MCGEE 12 1/2 %

V. TABULATION OF OIL, GAS AND MINERAL LEASE

Dated: June 1, 1993
Filed: August 17, 1993
Recorded: Volume 337, Page 23, Real Property Re-
cords, Lipscomb County, Texas.
Lessor: ALVIANA KLIEWER, individually and as
Executrix of the Estate of FRANK KLIEWER
Lessee: TOM MCGEE CORP.
Description: All of Section 24, Block S&S and that
part of Survey 3, Block D, W. P. Wiser

August 30, 1993

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Survey, adjacent to and North of the East Half (E/2) of Section 9, Block 10, H.&T.B. RR. Co. Survey, and the Northeast Quarter (NE/4) of Section 9, Block 10, H.&T.B. RR. Co. Survey, all in Lipscomb County, Texas.

Primary Term: 180 days
Royalty: One-fifth (1/5)
Oil and Gas
Pooling Clause: The lease contains a pooling clause authorizing the formation of a gas unit, consisting of 704 acres.
Shut-in Clause: The lease contains a shut-in gas royalty clause.
Warranty Clause: The lease contains a disclaimer of warranty clause.
Interest Covered: All

Lease Assignments

Dated: August 17, 1993
Filed: August 17, 1993
Recorded: Volume 337, Page 29, Real Property Records of Lipscomb County, Texas.
Assignor: TOM MCGEE CORP.
Assignee: THOMAS S. MCGEE and LEONE MCGEE (25%) of Assignor's interest
TAM K. MCGEE (12½%) of Assignor's interest
Land Covered: All of the land in the above described lease.

VI. MORTGAGES AND DEEDS OF TRUST

None of record.

VII. JUDGMENTS AND OTHER LIENS

None of record.

VIII. EASEMENTS

1. There appears of record a Right-of-Way Easement dated September 27, 1962, recorded in Volume 96, Page 547 of the Deed Records of Lipscomb County, Texas, from FRANK KLIEWER and wife, ALVIANA KLIEWER in favor of THE STATE OF TEXAS under the terms of which Grantors conveyed to THE STATE OF TEXAS the right-of-way over a 4.61 acre tract of land located in Tract 1 for the purpose of highway construction.

2. There appears of record a Right-of-Way Easement dated September 27, 1962, recorded in Volume 96, Page 639 of the Deed Records of Lipscomb County, Texas, from FRANK KLIEWER and wife, ALVIANA KLIEWER in favor of THE STATE OF TEXAS under the terms of which Grantors conveyed to THE STATE OF TEXAS the right-of-way over a 2.39 acre tract of land located in Tract 2 for the purpose of highway construction.

3. There appears of record a Right-of-Way Easement dated September 27, 1962, recorded in Volume 96, Page 623 of the Deed Records of Lipscomb County, Texas, from FRANK KLIEWER and wife, ALVIANA KLIEWER in favor of THE STATE OF TEXAS under the terms of which Grantors conveyed to THE STATE OF TEXAS the right-of-way over a 6.07 acre tract of land located in Tract 3 for the purpose of highway construction.

4. There appears of record a Right-of-Way Easement dated September 27, 1962, recorded in Volume 96, Page 627 of the Deed Records of Lipscomb County, Texas, from FRANK KLIEWER and wife, ALVIANA KLIEWER in favor of THE STATE OF TEXAS under the terms of which Grantors conveyed to THE STATE OF TEXAS the right-of-way over a .10 acre tract of land out of Tract 3 for the purpose of the construction of a drainage easement.

5. There appears of record a Right-of-Way Easement dated April 3, 1973, recorded in Volume 151, Page 337 of the Deed Records of Lipscomb County, Texas, from FRANK KLIEWER and wife, ALVIANA KLIEWER in favor of ONG EXPLORATION under the terms of which Grantors conveyed to ONG EXPLORATION an easement for the purpose of constructing a 4 inch pipeline across Tracts 1, 2 and 3.

6. There appears of record a Right-of-Way Agreement dated July 27, 1992, executed by LARRY SCHILLING and wife, NANCY SCHILLING in favor of GPM GAS CORPORATION across Tract 1, 2 and 3 for the purpose of the construction of one pipeline.

IX. TAXES

All state, county, groundwater Conservation District No. 2, Follett Independent School District and Follett Hospital District taxes have been paid for the year 1992 and all prior years.

X. COMMENTS

1. This opinion does not include claims of person in possession and under unrecorded instruments, conflicts of lines and surveys, incapacities of grantors, nor liens which may arise or be perfected because of improvements, if any, on or adjacent to the subject property, unless the same are shown by the abstracts examined.

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2. We do not certify relative to orders or regulations of various governmental agencies and other matters not of record in the records examined.

3. We do not make the customary survey requirements in conformance with your instructions.

4. Since the above described easements appear of record, you are charged with notice of the existence of the easements and the rights created thereby. You should determine that the existence of said easements will not interfere with your proposed operations on the premises.

5. We are rendering this title opinion solely for your use and benefit. It is rendered for no other person or company. Any other person or company other than you who seeks to rely on this opinion should be advised and is so advised, that any such reliance is done solely at that person's or company's own risk.

6. On March 11, 1968, the Commissioners' Court of Lipscomb County, Texas, adopted a resolution and order setting forth certain regulations governing the construction of pipes and pipelines over, across and under public roads in said county. In the event you construct any pipeline or flowline across any public road adjacent to the subject lease, said order and the prior orders of the Commissioners' Court should be reviewed and such pipeline should be installed in conformance with such rules and regulations.

XI. OBJECTIONS AND REQUIREMENTS

1. There appears of record an Oil and Gas Lease dated August 5, 1987, executed by FRANK KLIEWER and wife, ALVIANA KLIEWER to ZINKE & TRUMBO, LTD., now ZINKE & TRUMBO, INC., covering Tract 3 of the captioned property, filed in Volume 282, Page 602 of the Real Property Records, Lipscomb County, Texas. This oil and gas lease was for a three (3) year period and the primary term would have expired on August 5, 1990. It is our understanding that ZINKE & TRUMBO never obtained production on this tract.

REQUIREMENT NO. 1: Obtain and file in the Real Property Records of Lipscomb County, Texas, a Release of this oil and gas lease.

2. Prior to the distribution of any proceeds from production, all parties owning an interest in production should execute Division Orders under the terms of which they warrant and certify as to the respective ownership interest that we have tabulated below.

REQUIREMENT NO. 2: As stated.

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3. As stated herein, THE STATE OF TEXAS has a one-sixteenth (1/16) free royalty interest in Tract 1. A certified copy the recorded Lease should be sent to the General Land Office in the State of Texas. A Division Order should also be sent to the General Land Office; however, as a matter of practice the General Land Office will not execute and return the Division Order but they will acknowledge receipt of the Division Order and assign a lease number under which all proceeds to THE STATE OF TEXAS should be submitted.

REQUIREMENT NO. 3: As stated.

4. With the exception of the one-sixteenth (1/16) free royalty owned by THE STATE OF TEXAS under Tract 1, all of the mineral interests under the three (3) tracts were owned for the lifetime of FRANK KLIEWER and wife, ALVIANA KLIEWER and for the lifetime of the survivor of them. Upon the death of FRANK KLIEWER, this entire mineral interest is vested in ALVIANA KLIEWER for her life. Although the oil and gas lease was executed by ALVIANA KLIEWER, individually and as Executrix of the Estate of FRANK KLIEWER, all proceeds should be paid only to ALVIANA KLIEWER during her lifetime. Upon the death of ALVIANA KLIEWER, all of the minerals interests will immediately be vested in LARRY SCHILLING and wife, NANCY SCHILLING or their successors in interest.

REQUIREMENT NO. 4: None. Advisory only.

XII. DIVISION OF INTEREST

PROCEEDS FROM THE SALE OF OIL AND GAS FROM TRACTS 1, 2 AND 3 REFERENCED HEREIN PURSUANT TO THE LEASE TABULATED HEREIN SHOULD BE DISTRIBUTED IN THE FOLLOWING MANNER:

Royalty:

ALVIANA KLIEWER

$$(1/5 \times 251.3/322.4 + 11/80 \times 71.1/322.4) = .1862167$$

* THE STATE OF TEXAS

$$(1/16 \times 71.1/322.4) = .0137833$$

Working Interest:

TOM MCGEE CORP.

$$(.625 \times 4/5) = .5000000$$

THOMAS S. MCGEE and
LEONE MCGEE

$$(.25 \times 4/5) = .2000000$$

TAM K. MCGEE

$$(.125 \times 4/5) = .1000000$$

Total 1.0000000

Tom McGee Corp.



November 5, 1998

Ms. Donna Smith
General Land Office
1700 N. Congress, Room 600
Austin, Tx. 78701-1495

RE:TMC-Kliwer #3

Ms. Smith,

Please find enclosed a copy of the Division Order Title Opinion covering the referenced well.

Tom McGee Corp took over operations on the well and obtained our leases from the Kliwers after the original leases to Mustang Fuel Company failed under their own terms. They have executive rights on leasing, rentals, etc. in this acreage. They also gained title to the equipment associated with the well and later sold said equipment to Tom McGee Corp.

I hope this helps.

Sincerely,

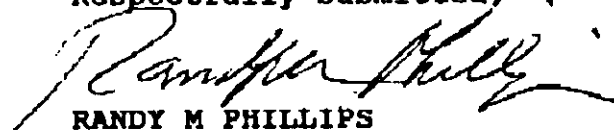
A handwritten signature in dark ink, appearing to read "Tom McGee", written over a horizontal line.

Tam McGee

Enclosures/

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Respectfully submitted,



RANDY M PHILLIPS
FOR THE FIRM

RMP/plt
11/R993

*** OIL AND GAS W-2/G-1 RECORD ***

INQUIRY

API #: 295 30694

SOURCE: RRC

DIST: 10 LSE/ID: 086360

WELL#: 3

TYPE: GAS

CNTY: LIPSCOMB

FLD: FOLLETT (MORROW, UP)

LSE: KLIEWER

OPER: MCGEE, TOM CORPORATION

COMPLETION: 01 14 1980

DRILLING PERMIT #: 056463

W2-G1: 01 24 1980 BUILT: 01 12 1984

R-37 EXCEP CASE #:

ATTACHMENTS: ON FILE

WATER INJECT PERM #:

KEY 'S' TO VIEW ATTACH: _

SALT WATER DISP #:

DOCKET NUMBER:

DRILL COMPLETED: MM DD YYYY

ELEVATION: 2563 GL

TOTAL DEPTH: 8875

WELLBORE PLUGGED:

PLUGBACK DEPTH:

LOCATION SEC: 24

BLK: SS

ABST:

SUR: W.P. WISER

SUR/SECT: 000500 FT FROM NL

AND 000800 FT FROM EL

NOTE=> REMARKS ON FILE FOR THIS DATE

* SCREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS

* SELECT OPTION: (01=RETURN TO MENU, 00= HELP AND OTHER OPTIONS)

PRESS 'ENTER' FOR NEXT SCREEN

M-80020

June 1993 new class

10

* 0625

File No. 102371 1/2

County
D.O.
Date Filed: 3.25.2002
George P. Bush, Commissioner
By _____

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 1st day of June, 1993, by and between ALVIANA KLIEWER, individually and as Executrix of the Estate of FRANK KLIEWER, hereinafter called "LESSOR", whether one or more, and TOM MCGEE CORP., P. O. Box 276, Booker, Texas 79005, hereinafter called "LESSEE".

LESSOR, acting individually and also for all royalty owners and for mineral owners, if any, from whom the undersigned has received executive rights, for and in consideration of the sum of TEN AND NO/100THS DOLLARS (\$10.00), and other valuable consideration, the receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of LESSEE herein contained, does hereby grant, lease and let exclusively unto LESSEE, its successors and assigns, for the purpose of exploring, drilling and operating for and producing oil, and/or gas, and to produce, save, take care of, treat, transport and own said substances, the following described land in Lipscomb County, Texas, to-wit:

All of Section Twenty-four (24), Block S&S Survey and that part of Survey 3, Block D, W. P. Wiser Survey adjacent to and North of the East One-half (E/2) of Section 9, Block 10, H.&T.B. RR. Co. Survey, and the Northeast Quarter (NE/4) of Section 9, Block 10, H.&T.B. RR. Co. Survey, all in Lipscomb County, Texas, and such land is hereinafter referred to as the "leased premises".

Tr. ~~24~~ +24
77.55 ac
?

TO HAVE AND TO HOLD the leased premises for a term of one hundred eighty (180) days from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons produced in association therewith, or either or any of them, are produced in paying quantities from the leased premises or from lands with which the leased premises are pooled or unitized.

The consideration of the premises, it is hereby agreed as follows:

1. ROYALTY. The royalties to be paid by LESSEE are:

(a) LESSEE shall deliver to LESSOR, at the well or to the credit of LESSOR in the pipeline to which the well may be connected, one-fifth (1/5) of all oil and other liquid hydrocarbons produced and saved from the leased premises, or LESSEE, at its option, may buy or sell such royalty and pay LESSOR the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. It is expressly agreed that distillate or condensate produced from a gas strata shall be extracted by ordinary mechanical means on the leased premises before measuring the gas if such extractions can be done profitably to LESSEE, and such distillate and condensate so extracted or saved on the leased premises shall be accounted for as oil.

(b) LESSEE shall pay to LESSOR as royalty on gas, including casinghead gas or other gaseous substances produced from said land the market value at the well of one-fifth (1/5) of the gas so produced.

(c) All royalties payable under Subparagraph (a) and (b) of this paragraph shall be without deduction or cost of gathering, transporting, separating, dehydrating, treating, compressing or otherwise treating or making the oil or gas ready for sale or use.

(d) Accounting and payment to LESSOR of royalties from the production of oil and gas from any well shall commence no later than one hundred fifty (150) days after the commencement of

production. Thereafter, unless otherwise specifically provided herein, all accountings and payments of royalties shall be made on or before the 25th day of the second calendar month following the calendar month in which the production occurred. Should LESSEE at any time fail to make royalty payments to LESSOR on or before the last day of the sixth calendar month following the calendar month in which the production occurred, upon 30 days written notice to LESSEE and the operator, this lease shall automatically terminate.

(f) If division orders are signed and the provisions thereof conflict with the terms of this lease, the terms of this lease shall prevail.

2. SHUT-IN GAS ROYALTY. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom for lack of a market, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, LESSEE covenants and agrees to pay LESSOR, as royalty, \$1.00 per net mineral acre per year for the period commencing on the date such well is actually shut in. Payment or tender shall be made to LESSOR, or deposited to the credit of LESSOR at First National Bank of Perryton, Perryton, Texas. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or used for lease operations, the second payment shall be due thereafter on the anniversary date of the period for which such prior payment was made. The term "gas well" shall include gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

3. DRILLING OPERATIONS. If the LESSEE shall commence reworking operations on the existing well within the term of this lease or any extension thereof, LESSEE shall have the right to complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the time first mentioned. Whenever used in this lease, the words "reworking operations", shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, or repairing of a well in search for or in an endeavor to obtain production of oil or gas.

4. USE OF WATER FOR OPERATIONS. LESSEE shall have the free use of water from the leased premises except water from LESSOR's wells, ponds, and tanks, for reworking and pumping operations hereunder. However, LESSEE shall not have the right to use fresh water underlying the lands covered by this lease in connection with any waterflooding, secondary recovery, or other operations where water or other substance is to be injected into the producing formation or formations for the purpose of stimulating or increasing the production of hydrocarbons. LESSEE may use for such purposes salt water or any other water which is unsuitable for human consumption, agricultural, or livestock-raising purposes.

5. REMOVAL OR PURCHASE OF EQUIPMENT. After the expiration of this lease, LESSEE shall remove any property and fixtures on the leased premises within 180 days after such expiration, and upon LESSEE failing to do so, the property and fixtures shall belong to LESSOR. Any abandoned oil or gas well shall be properly and carefully plugged and sealed under the laws of this state and under

the rules and regulations of the state agency having authority thereof.

6. ASSIGNMENT OR CHANGE OF OWNERSHIP. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge LESSEE of all future obligations of LESSEE hereunder. An assignment of this lease, in whole or in part, shall not relieve LESSEE of any prior obligations, either express or implied, under the Lease which have been breached by LESSEE nor for any damages which LESSOR has sustained as a result of the breach of an obligation which occurred prior to the date of the assignment. As a condition precedent to the validity of the release of any future obligations, LESSEE, its successor or assigns, shall provide LESSOR with a copy of any assignment with respect to this lease.

7. FORCE MAJEURE. LESSEE shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean acts of God and actions of the elements. If LESSEE is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of thirty (30) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period.

8. PROPORTIONATE REDUCTION CLAUSE. If LESSOR does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to LESSOR hereunder.

9. DISCLAIMER OF WARRANTY. It is expressly agreed between the parties hereto that no warranty or covenant of title (express or implied to the land covered hereby or to the oil and gas therein or produced therefrom is made by LESSOR and that no warranty, covenant or guarantee of title shall be created by or arise from this lease. LESSOR agrees that LESSEE, at its option, may pay off or discharge any taxes, mortgages or other liens existing, levied or assessed against the leased premises; and if such an option is exercised LESSEE shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien any royalty, shut-in royalty or rental accruing hereunder.

10. SURRENDER AND RELEASE. LESSEE, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the LESSOR or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, LESSEE shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered. Upon termination of the lease, however brought about, LESSOR shall furnish LESSEE a recordable release within ten days of the date of termination.

11. LOCATION OF APPURTENANCES. LESSEE shall confer with LESSOR regarding the laying of pipelines and the selection of road locations, and places for tank batteries and other aboveground appurtenances on said leased land so that there will be as little interference as possible with the agricultural uses of said land.

12. CLEAN UP AND UPKEEP. While conducting any operations on the leased premises, the premises will be kept by LESSEE free of all rubbish, cans bottles, paper cups, or garbage. Tanks and equipment shall be kept painted and presentable. LESSEE shall control all weeds surrounding its equipment.

13. CATTLE GUARDS AND FENCES. LESSEE will not cut or go over any fence or fences of LESSOR at any time or in connection with any operations of the leased premises without first obtaining LESSOR'S express consent thereto in writing which consent will not be unreasonably withheld. If LESSOR consents to the cutting of a fence, the cut must be made at the place designated by LESSOR, and prior to cutting any fence of LESSOR, LESSEE will brace the existing fence adequately on both sides of the proposed cut so that there will be no slackening of the wires. If the cut in such fence is an outside fence of LESSOR, promptly after making such cut, LESSEE shall install and maintain a substantial iron cattle guard capable of turning cattle. If the cut in such fence is an inside fence of LESSOR, LESSEE shall install a substantial cattle guard or metal gate in such opening. LESSEE shall promptly close all gates which LESSEE'S operations on the leased premises, to prevent the escape of cattle or stock of LESSOR through any open gates. LESSEE further agrees to comply with all reasonable rules and regulations imposed by LESSOR with regard to opening and closing and locking all such gates.

14. ROADS. LESSEE shall maintain the road to the location, and shall not travel off said road onto the surrounding surface of the leased premises. Any caliche, or road surfacing used on the road or location shall be picked up, unless LESSOR requests otherwise, at the time LESSEE abandons the lease or at such time as the well to which the road was constructed is abandoned.

15. PIPELINES. All pipelines which shall be constructed under this lease shall be buried to a depth of thirty-six inches (36") and so laid as not to interfere with farming operations. LESSEE further agrees to "double-ditch" so as to replace topsoil with topsoil.

16. FENCING. LESSEE shall fence all slush pits and areas containing equipment, chemicals, or other substances which may be harmful to the livestock of LESSOR and/or LESSOR'S surface tenant.

17. DAMAGES. LESSEE agrees to pay for any and all damages caused by its operations on the leased premises. LESSEE shall also pay for damages caused by negligent and excessive operations on said land whether said operations are conducted by LESSEE or by an independent contractor performing operations for LESSEE on said land.

18. POOLING. LESSEE is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of gas or condensate, or either of them, as to all of the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, (or lands adjacent, contiguous, or adjoining). Such pooling shall be into a unit or units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%) thereof for gas, provided that should the governmental authority having jurisdiction prescribed or permit the creation of any drilling, spacing or proration units larger or smaller than those specified above, such units may be created, enlarged or reduced to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Such pooling shall be effected by the filing by LESSEE of a written designation, in the county, or counties, in which the premises are located, identifying and

describing the pooled unit. The production of gas or condensate from any zone or portion of the land so pooled and the development and operation on such land, including the commencement, drilling, completion and operation of a well thereon, or the existence thereon of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the unit bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to LESSOR from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, LESSEE shall terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination. Notwithstanding anything to the contrary contained herein, LESSEE shall have the power and authority to pool or unitize only the gas leasehold estate and shall have no power or authority to pool the oil leasehold estate.

19. APPLICATION LAW. This lease shall be controlled by the law of the state where the leased premises are primarily located. It is agreed that any suits at law relating to this lease shall be heard in the court of proper jurisdiction of the state and county where the leased premises or any part thereof be located with appeals to the appellate court of that state.


20. PARTIES BOUND. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as LESSOR fail to execute this lease, or should any party execute this lease who is not named above as a LESSOR, it shall nevertheless be binding upon the party or parties executing the same.

21. NO HUNTING AND FISHING. While on the leased premises, LESSEE, its agents, contractors, or employees shall not hunt, fish, or kill any animal without the prior written consent of LESSOR.

22. NO WAIVER OF IMPLIED COVENANTS. It is expressly agreed that no express statement of a covenant contained herein shall constitute a waiver or abandonment of any covenant implied in equity or at law, and LESSOR shall have the benefit of all of such implied covenants, just as if no express covenant were set out herein. In the event of a conflict between an express covenant set out herein and a covenant implied at law or in equity, the express covenant set out herein shall govern the rights of the parties to the extent of the express covenant, insofar as there is a conflict between it and the implied covenant, but without such a conflict, both express covenants and implied covenants shall govern the rights and relationship of the parties.

23. HEADINGS FOR CONVENIENCE. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.


Social Security Number

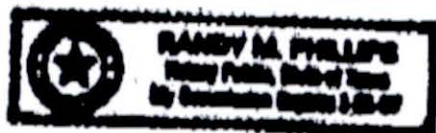
Alviana Kliewer
Alviana Kliewer, individually
and as Executrix of the Estate
Frank Kliewer, Deceased

THE STATE OF TEXAS §
 §
COUNTY OF LIPSCOMB §

This instrument was acknowledged before me on this 28th day of June, 1993, by ALVIANA KLIEWER, individually and as Executrix of the Estate of FRANK KLIEWER, Deceased.

My Commission Expires:

Randy Phillips
Notary Public in and for
The State of Texas



Reg # 19379
FILED
8:45 AM
AUG 17 1993
Costa Sperry, OK
COUNTY CLERK, LIPSCOMB COUNTY, TEXAS

I certify that this instrument was filed as shown by my endorsement and duly recorded this day in Vol. 337 Page 28 of the public records of this county. Given under my hand and seal of office in Lipscomb, Texas, this 17th day of August, 1993.
County Clerk, Lipscomb County, Texas
Costa Sperry Costa Sperry
Babette Neptunes
By Deputy

1.
File No. MF102371

Lease

Date Filed: 3/26/02

David Dewhurst, Commissioner

By [Signature]

**Texas General
Land Office**



**David Dewhurst
Commissioner**

April 1, 2002

Mr. Tom McGee
Tom McGee Corp.
P. O. Box 276
Booker, Texas 79005-0276

Re: Kliever Lease dated 6/1/93
332.4 acres including all of Sec.24 Block SS
Lipscomb County, Texas

Dear Mr. McGee:

As per our conversation the State of Texas owns a 1/16th free royalty interest under Section 24, Block SS covering 71.1 acres in Lipscomb County, Texas. This tract was leased by oil and gas lease dated June 1, 1993, from the Klievers to the Tom McGee Corp. The lease covers three tracts in all including all of Section 24 for a total of 322.4 acres. The Kliever well No. 3 is a producing gas well located on Section 24 in which the State has a 1/16th free royalty interest.

The question has arisen as to what interest of production the State is entitled from the No.3 well. After reviewing the facts as stated above it appears that the State should be entitled to a full 1/16th of production rather than 71.1/322.4 of 1/16th of production. Under Texas law the owner of the executive right does not have the power to authorize pooling or communitization of a non-executive interest such as the State's non-participating royalty interest. Additionally, the State has not ratified the lease thereby creating a community lease. The State's free royalty interest can only be pooled as provided in Chapter 52, Subchapter E of the Texas Natural Resources Code.

Please let me know if you have any questions and I look forward to hearing from you at your earliest convenience.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Mailing

Post Office Box 12873
Austin, Texas
78711-2873

Street

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495

512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

2.

File No. MF 102371

9th letter

Date Filed: 4/1/02

David Dewhurst, Commissioner

By DR

**Texas General
Land Office**



**David Dewhurst
Commissioner**

September 9, 2002

CERTIFIED MAIL 70000520002287124033

TOM MCGEE CORP
ATTN TAM MCGEE
PO BOX 276
BOOKER TX 79005 0276

RE: Notice of underpayment on state lease M-102371

Dear Mr. McGee:

The Royalty Management Division of the Texas General Land Office has completed a limited review of the above-referenced lease operated by Tom McGee Corporation. Through this review, it was determined that \$36,031.03 has been underpaid to the State for the reporting period of June 1993 through April 2002. This amount comprises \$26,373.65 in additional royalty, \$3,060.28 in penalty, and \$11,982.60 in interest, which has been computed through October 4, 2002, in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings:

- A brief summary of our review (Attachment I);
- Schedule supporting our royalty, penalty, and interest calculations (Attachment II); and
- Procedures used for assessment of penalties and interest (Attachment III).

To ensure your company remains in good standing with the General Land Office, please respond to this notice within 25 days of the above date. If your records reflect this royalty has been paid, please provide us with documentation of payments made and remittance dates. Payment of this notice should be submitted separately from monthly royalty payments you may be remitting. In order to ensure proper credit, your payment should be mailed to my attention along with a copy of this letter.

Mailing

Post Office Box 12873
Austin, Texas
78711-2873

Street

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495

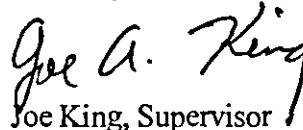
512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

Tom McGee Corporation
September 9, 2002
Page 2

This notice in no way precludes the General Land Office from pursuing any claim or remedy related to this royalty payment. Additionally, this notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Natural Resources Code and, consequently, does not preclude the General Land Office from conducting further examinations of this or other leases operated and/or reported by Tom McGee Corporation or from examining these or other issues and time periods in a future inspection of your books, accounts, reports, or other records.

If you have any questions, please call Scott Veach at (512) 475-1479.

Sincerely,

A handwritten signature in cursive script that reads "Joe A. King". The signature is written in dark ink and is positioned above the printed name and title.

Joe King, Supervisor
Royalty Management / Energy Resources

JK/sv

Attachments

ATTACHMENT I
REVIEW SUMMARY

State Leases MF-102371

We have reviewed our records for the period of June 1993 through April, 2002 to determine whether or not royalty for condensate and gas has been reported and paid correctly with respect to volume, price and royalty. Volumes reported to the Texas General Land Office (TGLO) were compared to volumes reported to the Texas Railroad Commission (TRRC) with any differences being noted.

As a result of this review, it was determined that gas royalty were underpaid on Kliewer No. 3 for June 1993 through April 2002.

Therefore, we have concluded that additional royalty revenue is due in the following amount.

OIL

Royalty	Penalty	Interest	Total
\$1,092.28	\$200.00	\$620.51	\$1,912.79

GAS

Royalty	Penalty	Interest	Total
\$19,895.87	\$2,860.28	\$11,369.63	\$34,125.78

(See Attachments II for supporting calculations)

ATTACHMENT III

SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES FOR DELINQUENT ROYALTIES AND DELINQUENT REQUIRED REPORTS OR DOCUMENTS

	DUE BEFORE 10-1-75 (Production Prior to 8-1-75)	DUE AFTER 10-1-75 AND BEFORE 9-1-85 (Production 8-1-75 thru 6-30-85)	DUE AFTER 9-1-85 (Production 7-1-85 Forward)
PENALTY (3)			
• For delinquent royalty	NONE	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00
• For delinquent report, affidavit, or other document	NONE	\$5.00 per document for each 30-day period of delinquency	For delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00 \$10.00 per document for each 30-day period of delinquency
INTEREST			
• For delinquent royalty	6% per year, simple interest; accrual begins 30 days after due date (1)	6% per year, simple interest; accrual begins 30 days after due date (1)	12% per year, simple; accrual begins 60 days after due date (2)

(1) Tex. Rev. Civ. Stat. Ann., Article 5069-1.03 and related case law.

(2) Tex. Nat. Res. Code Ann. § 52.131 (g).

(3) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex. Nat. Res. Code Ann. § 52.131 (e), (f), & (h).

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent.

The State's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest.

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE M-102371
 FIELD: KLIEWER #3
 LEASE: FOLLETT (MORROW, UP)
 COUNTY: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

ATTACHMENT IIA

AUDITOR: SGV
 FILE: C:/ EXCEL/SCHEDOIL.XLS
 09/05/02

PENALTY/
 INTEREST DATE:
 10/04/02

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
MONTH/ YEAR	VOLUME REPORT TO R.R.C. (A)	PRICE (B)	GROSS VALUE (1)X(2)	ROYALTY DUE (3)X(.0625)	ROYALTY PAID	AMOUNT DIFFERENCE (4) - (5)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (5) + (7) + (8)
Apr-94	184.00	13.80	2,539.20	158.70	35.07	123.63	3043	25.00	121.29	269.92
Dec-94	181.00	17.16	3,105.96	194.12	37.54	156.58	2798	25.00	141.00	322.58
Apr-96	178.00	23.57	4,195.46	262.22	57.60	204.62	2312	25.00	151.56	381.18
Jun-97	178.00	17.17	3,056.26	191.02	42.22	148.80	1886	25.00	89.38	263.18
Aug-98	131.00	10.88	1,425.15	89.07	19.60	69.47	1460	25.00	32.00	126.47
Jul-99	132.28	17.46	2,309.61	144.35	31.83	112.52	1125	25.00	39.43	176.95
Sep-00	127.00	31.46	3,995.17	249.70	54.75	194.95	698	25.00	40.96	260.91
Dec-01	149.00	10.88	1,620.97	101.31	19.60	81.71	241	25.00	4.89	111.60
				\$1,390.49	\$298.21	\$1,092.28		\$200.00	\$620.51	\$1,912.79

COMMENTS:

- (A) OIL DISPOSITIONS OBTAINED FROM RRC P-1 REPORTS AND COMPANY'S GLO-1 REPORTS FOR THE TIME PERIOD 199306-200204.
- (B) PRICES ARE OBTAINED FROM COMPANY'S GLO-1 REPORTS SUBMITTED TO GLO WHEN AVAILABLE. PRICES OBTAINED FROM WTI OIL PRICE GUIDE WHEN GLO-1 REPORTS NOT AVAILABLE.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

ATTACHMENT IIE

AUDITOR: SGV

09/05/02

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KLIEWER #3
 LEASE: FOLLETT (MORROW, UP)
 DISTRICT: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

INTEREST DATE:
 10/04/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
MONTH/ YEAR	GAS SALES TO RRC (A)	PRICE (B)	BTU (B)	GROSS VALUE (1)X(2)X(3)	ROYALTY DUE (4)X(.0625)	ROYALTY PAID	DIFFERENCE DUE - PAID (5) - (6)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (7) + (8) + (9)
Jul-93	328	2.050	1.000	672.40	42.03	9.25	32.78	3306	25.00	34.99	92.77
Aug-93	3,476	2.026	1.000	7,042.38	440.15	97.10	343.05	3276	34.30	362.82	740.17
Sep-93	3,625	2.105	1.000	7,630.63	476.91	105.17	371.74	3245	37.17	389.38	798.29
Oct-93	3,888	1.925	1.301	9,737.20	608.58	103.17	505.41	3215	50.54	524.40	1,080.35
Nov-93	3,648	1.884	1.000	6,872.83	429.55	94.72	334.83	3184	33.48	344.01	712.32
Dec-93	3,159	1.911	1.000	6,036.85	377.30	83.19	294.11	3153	29.41	299.17	622.69
Jan-94	3515	1.827	1.301	8,354.90	522.18	88.54	433.64	3125	43.36	437.11	914.11
Feb-94	1921	2.003	1.000	3,847.76	240.49	53.02	187.47	3094	25.00	187.05	399.52
Mar-94	3412	1.916	1.343	8,779.72	548.73	90.10	458.63	3064	45.86	453.10	957.59
Apr-94	2748	1.850	1.343	6,827.54	426.72	70.08	356.64	3033	35.66	348.71	741.01
May-94	2695	1.805	1.343	6,532.99	408.31	67.06	341.25	3003	34.13	330.29	705.67
Jun-94	2178	1.747	1.000	3,804.97	237.81	52.46	185.35	2972	25.00	177.51	387.86
Jul-94	2071	1.783	1.000	3,692.59	230.79	50.90	179.89	2941	25.00	170.44	375.33
Aug-94	1544	1.841	1.000	2,842.50	177.66	39.17	138.49	2911	25.00	129.85	293.34
Sep-94	1477	1.747	1.000	2,580.32	161.27	35.56	125.71	2880	25.00	116.59	267.30
Oct-94	2017	1.721	1.000	3,471.26	216.95	47.84	169.11	2850	25.00	155.18	349.29
Nov-94	1757	1.943	1.370	4,676.98	292.31	47.05	245.26	2819	25.00	222.55	492.81
Dec-94	2037	1.915	1.000	3,900.86	243.80	53.78	190.02	2788	25.00	170.49	385.51
Jan-95	1972	1.820	1.000	3,589.04	224.32	49.46	174.86	2760	25.00	155.27	355.13
Feb-95	1585	1.690	1.000	2,678.65	167.42	36.89	130.53	2729	25.00	114.58	270.11
Mar-95	1479	1.225	1.370	2,482.13	155.13	34.20	120.93	2699	25.00	104.96	250.89
Apr-95	1423	1.277	1.370	2,489.52	155.60	34.33	121.27	2668	25.00	104.02	250.29
May-95	1793	1.362	1.427	3,484.83	217.80	48.05	169.75	2638	25.00	143.93	338.68
Jun-95	1583	1.402	1.427	3,167.04	197.94	43.67	154.27	2607	25.00	129.23	308.50
Jul-95	1592	1.283	1.427	2,914.70	182.17	40.18	141.99	2576	25.00	117.50	284.49
Aug-95	1624	1.278	1.427	2,961.70	185.11	40.82	144.29	2546	25.00	117.97	287.26
Sep-95	1823	1.351	1.427	3,514.52	219.66	48.48	171.18	2515	25.00	138.22	334.40
Oct-95	1658	1.416	1.427	3,350.21	209.39	46.19	163.20	2485	25.00	130.16	318.36
Nov-95	1225	1.478	1.398	2,531.15	158.20	34.89	123.31	2454	25.00	97.09	245.40
Dec-95	1429	1.714	1.398	3,424.13	214.01	47.21	166.80	2423	25.00	129.64	321.44
Jan-96	1327	1.765	1.398	3,274.33	204.65	45.14	159.51	2394	25.00	122.45	306.96
Feb-96	1491	1.784	1.398	3,718.60	232.41	51.27	181.14	2363	25.00	137.21	343.35
Mar-96	1669	1.790	1.398	4,176.54	261.03	57.60	203.43	2333	25.00	152.09	380.52
Apr-96	1553	1.919	1.398	4,166.33	260.40	57.45	202.95	2302	25.00	149.66	377.61
May-96	1622	1.767	1.430	4,098.49	256.16	56.52	199.64	2272	25.00	145.25	369.89
Jun-96	1210	1.841	1.430	3,185.48	199.09	43.92	155.17	2241	25.00	111.32	291.49
Jul-96	1002	1.958	1.430	2,805.54	175.35	38.66	136.69	2210	25.00	96.66	258.35
Aug-96	1423	1.989	1.430	4,047.40	252.96	55.81	197.15	2180	25.00	137.48	359.63
Sep-96	1261	1.909	1.429	3,439.96	215.00	47.46	167.54	2149	25.00	115.12	307.66
Oct-96	1328	2.133	1.430	4,050.65	253.17	55.85	197.32	2119	25.00	133.63	355.95
Nov-96	1463	2.684	1.471	5,776.16	361.01	79.66	281.35	2088	28.14	187.68	497.17
Dec-96	1144	3.371	1.471	5,672.80	354.55	78.21	276.34	2057	27.63	181.52	485.49
Jan-97	1407	3.029	1.471	6,269.11	391.82	86.44	305.38	2029	30.54	197.79	533.71
Feb-97	1217	2.209	1.471	3,954.57	247.16	54.51	192.65	1998	25.00	122.81	340.46
Mar-97	1121	1.710	1.471	2,819.77	176.24	38.88	137.36	1968	25.00	86.21	248.57
Apr-97	1261	1.542	1.471	2,860.30	178.77	39.44	139.33	1937	25.00	86.03	250.36
May-97	1431	1.713	1.465	3,591.16	224.45	49.53	174.92	1907	25.00	106.27	306.19
Jun-97	1143	1.810	1.465	3,030.84	189.43	41.79	147.64	1876	25.00	88.19	260.83

ATTACHMENT IIB

AUDITOR: SGV

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KIEWER #3
 LEASE: FOLLETT (MORROW, UP)
 DISTRICT: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

09/05/02

INTEREST DATE:
 10/04/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
MONTH/ YEAR	GAS SALES TO RRC (A)	PRICE (B)	BTU (B)	GROSS VALUE (1)X(2)X(3)	ROYALTY DUE (4)X(.0625)	ROYALTY PAID	DIFFERENCE DUE - PAID (5) - (6)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (7)+(8)+(9)
Jul-97	895	1.738	1.464	2,277.27	142.33	31.41	110.92	1845	25.00	65.13	201.05
Aug-97	1311	1.888	1.465	3,626.12	226.63	50.01	176.62	1815	25.00	101.97	303.59
Sep-97	1568	2.079	1.465	4,775.71	298.48	65.84	232.64	1784	25.00	131.94	389.58
Oct-97	1302	2.193	1.465	4,182.99	261.44	57.66	203.78	1754	25.00	113.56	342.34
Nov-97	1315	2.202	1.480	4,285.53	267.85	59.07	208.78	1723	25.00	114.21	347.99
Dec-97	1437	1.788	1.480	3,802.65	237.67	52.41	185.26	1692	25.00	99.46	309.72
Jan-98	118	1.651	1.480	288.33	18.02	3.97	14.05	1664	25.00	7.41	46.46
Feb-98	439	1.506	1.480	978.48	61.15	13.47	47.68	1633	25.00	24.68	97.36
Mar-98	1332	1.500	1.480	2,957.04	184.82	40.74	144.08	1603	25.00	73.13	242.21
Apr-98	794	1.625	1.480	1,909.57	119.35	26.32	93.03	1572	25.00	46.27	164.30
May-98	946	1.377	1.480	1,927.91	120.49	28.67	91.82	1542	25.00	44.77	161.59
Jun-98	858	1.319	1.480	1,674.92	104.68	23.08	81.60	1511	25.00	38.95	145.55
Jul-98	939	1.311	1.480	1,821.92	113.87	27.10	86.77	1480	25.00	40.54	152.31
Aug-98	1508	1.235	1.480	2,756.77	172.30	38.00	134.30	1450	25.00	61.42	220.72
Sep-98	1319	1.131	1.480	2,208.63	138.04	30.44	107.60	1419	25.00	48.11	180.71
Oct-98	1440	1.302	1.480	2,774.82	173.43	38.25	135.18	1389	25.00	59.11	219.29
Nov-98	960	1.291	1.480	1,834.25	114.64	25.28	89.36	1358	25.00	38.16	152.52
Dec-98	692	2.080	1.480	2,130.25	133.14	16.37	116.77	1327	25.00	48.68	190.45
Jan-99	842	1.040	1.481	1,296.88	81.06	19.29	61.77	1299	25.00	25.18	111.95
Feb-99	1174	1.074	1.481	1,867.36	116.71	27.77	88.94	1268	25.00	35.35	149.29
Mar-99	1427	1.268	1.481	2,679.77	167.49	36.94	130.55	1238	25.00	50.60	206.15
Apr-99	1284	1.541	1.481	2,930.90	183.18	40.40	142.78	1207	25.00	53.89	221.67
May-99	1144	1.677	1.481	2,840.99	177.56	39.16	138.40	1177	25.00	50.87	214.27
Jun-99	1083	1.707	1.481	2,737.21	171.08	37.73	133.35	1146	25.00	47.65	206.00
Jul-99	939	1.945	1.481	2,704.74	169.05	37.28	131.77	1115	25.00	45.75	202.52
Aug-99	701	2.620	1.000	1,836.62	114.79	31.36	83.43	1085	25.00	28.14	136.57
Sep-99	1087	2.156	1.481	3,470.69	216.92	51.61	165.31	1054	25.00	54.08	244.39
Oct-99	1056	2.362	1.481	3,693.49	230.84	50.91	179.93	1024	25.00	57.09	262.02
Nov-99	988	2.426	1.481	3,549.88	221.87	48.93	172.94	993	25.00	53.10	251.04
Dec-99	1021	2.098	1.481	3,172.84	198.30	43.73	154.57	962	25.00	45.89	225.46
Jan-00	966	2.295	1.481	3,283.64	205.23	45.26	159.97	933	25.00	45.97	230.94
Feb-00	909	2.777	1.480	3,735.89	233.49	51.49	182.00	902	25.00	50.44	257.44
Mar-00	1068	2.764	1.480	4,369.50	273.09	60.23	212.86	872	25.00	56.90	294.76
Apr-00	934	2.467	1.480	3,409.71	213.11	47.00	166.11	841	25.00	42.71	233.82
May-00	924	2.429	1.480	3,321.36	207.59	49.38	158.21	811	25.00	39.11	222.32
Jun-00	968	3.346	1.480	4,793.49	299.59	66.07	233.52	780	25.00	55.35	313.87
Jul-00	871	3.287	1.480	4,237.02	264.81	58.40	206.41	749	25.00	46.82	278.23
Aug-00	569	3.296	1.480	2,776.00	173.50	38.26	135.24	719	25.00	29.35	189.59
Sep-00	1228	3.740	1.480	6,796.66	424.79	93.68	331.11	688	33.11	68.47	432.69
Oct-00	1378	3.833	1.480	7,816.57	488.54	107.74	380.80	658	38.08	74.99	493.87
Nov-00	1108	3.743	1.480	6,137.45	383.59	84.59	299.00	627	29.90	55.84	384.74
Dec-00	860	3.401	1.480	4,329.04	270.57	76.88	193.69	596	25.00	34.19	252.88
Jan-01	1029	6.226	1.480	9,481.35	592.58	130.68	461.90	568	46.19	77.30	585.39
Feb-01	995	4.140	1.480	6,096.91	381.06	84.04	297.02	537	29.70	46.68	373.40
Mar-01	678	5.030	1.480	5,047.30	315.46	78.84	236.62	507	25.00	34.85	296.47
Apr-01	914	5.370	1.480	7,264.11	454.01	68.54	385.47	476	38.55	52.85	476.87
May-01	1041	4.910	1.480	7,564.74	472.80	77.50	395.30	446	39.53	50.29	485.12
Jun-01	879	2.844	1.480	3,699.66	231.23	50.99	180.24	415	25.00	21.10	226.34

ATTACHMENT IIB

AUDITOR: SGV

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KIEWER #3
 LEASE: FOLLETT (MORROW, UP)
 DISTRICT: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

09/05/02

INTEREST DATE:
 10/04/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
MONTH/ YEAR	GAS SALES TO RRC (A)	PRICE (B)	BTU (B)	GROSS VALUE (1)X(2)X(3)	ROYALTY DUE (4)X(.0625)	ROYALTY PAID	DIFFERENCE DUE - PAID (5) - (6)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (7)+(8)+(9)
Jul-01	764	2.199	1.480	2,486.67	155.42	34.27	121.15	384	25.00	12.94	159.09
Aug-01	1006	2.606	1.480	3,880.43	242.53	53.49	189.04	354	25.00	18.33	232.37
Sep-01	1260	2.390	1.465	4,411.70	275.73	55.64	220.09	323	25.00	19.10	264.19
Oct-01	1327	1.956	1.465	3,802.74	237.67	52.41	185.26	293	25.00	14.25	224.51
Nov-01	849	2.121	1.465	2,638.11	164.88	36.36	128.52	262	25.00	8.58	162.10
Dec-01	97	2.300	1.465	326.84	20.43	3.38	17.05	231	25.00	0.96	43.01
Jan-02	451	2.610	1.465	1,724.47	107.78	16.64	91.14	203	25.00	4.31	120.45
Feb-02	864	1.552	1.465	1,963.90	122.74	27.07	95.67	172	25.00	3.55	124.22
Mar-02	866	2.103	1.465	2,667.61	166.73	36.77	129.96	142	25.00	3.55	158.51
Apr-02	690	2.595	1.460	2,614.24	163.39	36.03	127.36	111	25.00	2.18	154.54
				\$25,281.37		\$5,385.50	\$19,895.87		\$2,860.28	\$11,369.63	\$34,125.78

COMMENTS:

- (A) RRC VOLUME - GAS VOLUMES REPORTED TO THE RRC ON FORM P-2.
- (B) PRICE AND BTU - OBTAINED FROM GLO-2 REPORTS SUBMITTED BY TOM MCGEE CORP.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

File No. M-102371

③

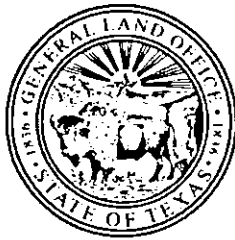
Billing

Date Filed: 9-9-02

David Dewhurst, Commissioner

By _____

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

January 21, 2003

Mr. Randy M. Phillips
Lemon, Shearer, Phillips, & Good, P.C.
P.O. Drawer 348
Booker, Texas 79005-0348

Re: Tom McGee Corp.
M-102371

Dear Mr. Phillips:

The request of Tom McGee Corp. for a waiver of penalties and interest associated with the referenced lease was presented to the School Land Board January 15, 2003. The School Land Board unanimously approved a waiver of penalties, but not interest. The minutes of the January 15, 2003 meeting will be approved at the next School Land Board meeting. Should you desire a copy of the approved minutes please advise. The Royalty Audit Management Division of the General Land Office has been advised of this decision.

Should you have additional questions or comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Wendell Smith".

Wendell Smith
Attorney
(512) 463-5132

WS/ws

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us



MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

Date: January 8, 2003

To: School Land Board

From: Wendell Smith, Attorney, Energy Section

Subject: Request of Tom McGee Corp. for a waiver of penalties and interest associated with a September 9, 2002, Notice of Underpayment of royalties

Tom McGee Corp. is the operator of the Kliever #3-24 well in Lipscomb county, Texas. Mustang Fuel Corp of Oklahoma previously operated the well, in a pooled unit approved by the School Land Board. Due to mechanical problems the well quit producing in January of 1990, and the lease subsequently terminated.

Effective June 1, 1993, Tom McGee Corp. acquired the well from Mustang Fuel and acquired a lease from the Kliever Family, forming a unit to produce the well. The well is located on a 71.1 acre tract of land in which the state has a free royalty. Upon obtaining production, Tom McGee began remitting royalties to the GLO, as though the School Land Board had approved a pooling agreement.

In April of 2002, Tom McGee was advised that under state law they did not have the right to pool the interest of the state, and that the state had never approved the lease. Thereafter Tom McGee was notified that it owed additional royalties (\$26,373.65), penalties (\$3,030.28), and interest (\$11, 982.60), totaling \$36,031.03. Tom McGee has paid the additional royalty and is requesting a waiver of penalties and interest.

Tom McGee is basing its request on the following:

1. The royalties and paperwork were properly submitted as if the lease had been properly pooled. The failure to get the lease pooled was an innocent mistake on their part.
2. It is inequitable to now bill them since nine (9) years have elapsed since royalty payments began.

Recommendation

There is no "good faith" ground for granting a waiver, nor is there a limitations period with respect to how far back a lease or leases may be audited. In November of 1998 Ms. Donna



MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

Smith of the GLO did contact Tom McGee concerning the Kliewer well and was provided with a copy of the division order title opinion. This communication with the GLO could be viewed as putting the office on notice that a problem existed, thereby entitling the company to a waiver of penalty and interest from November 1998 until September 2002 when Tom McGee was billed for the underpayment. However, there is no explanation or reason given for her request. The lease in question was not received in this office until March of 2002. The Staff does not recommend a waiver of penalty and interest.

OPERATOR: MOGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KIEWER #3
 LEASE: FOLLETT (MORROW, UP)
 DISTRICT: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

ATTACHMENT IIB

AUDITOR: SGV

09/05/02

INTEREST DATE:
 10/04/02

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
MONTH YEAR	GAS SALES TO RRC (A)	PRICE (B)	BTU (C)	GROSS VALUE (D) (E) (F)	ROYALTY DUE (G) (H) (I)	ROYALTY PAID (J) (K) (L)	DIFFERENCE DUE - PAID (M) (N) (O)	NUMBER OF DAYS LATE (P) (Q) (R)	PENALTY DUE (S) (T) (U)	INTEREST DUE (V) (W) (X)	TOTAL DUE (Y) (Z) (AA) (AB)
Jul-93	328	2.050	1.000	672.40	42.03	9.25	32.78	3306	25.00	34.99	92.77
Aug-93	3,476	2.026	1.000	7,042.38	440.15	97.10	343.05	3276	34.30	362.82	740.17
Sep-93	3,625	2.105	1.000	7,630.63	476.91	105.17	371.74	3245	37.17	389.38	798.29
Oct-93	3,888	1.925	1.301	9,737.20	608.58	103.17	505.41	3215	50.54	524.40	1,080.35
Nov-93	3,648	1.884	1.000	6,872.83	429.55	94.72	334.83	3184	33.48	344.01	712.32
Dec-93	3,159	1.911	1.000	6,036.85	377.30	83.19	294.11	3153	29.41	299.17	622.69
Jan-94	3515	1.827	1.301	8,354.90	522.18	88.54	433.64	3125	43.36	437.11	914.11
Feb-94	1921	2.003	1.000	3,847.76	240.49	53.02	187.47	3094	25.00	187.05	399.52
Mar-94	3412	1.916	1.343	8,779.72	548.73	90.10	458.63	3064	45.86	453.10	957.59
Apr-94	2748	1.850	1.343	6,827.54	426.72	70.08	356.64	3033	35.66	348.71	741.01
May-94	2695	1.805	1.343	6,532.99	408.31	67.06	341.25	3003	34.13	330.29	705.67
Jun-94	2178	1.747	1.000	3,804.97	237.81	52.46	185.35	2972	25.00	177.51	387.86
Jul-94	2071	1.783	1.000	3,692.59	230.79	50.90	179.89	2941	25.00	170.44	375.33
Aug-94	1544	1.841	1.000	2,842.50	177.66	39.17	138.49	2911	25.00	129.85	293.34
Sep-94	1477	1.747	1.000	2,580.32	161.27	35.56	125.71	2880	25.00	116.59	267.30
Oct-94	2017	1.721	1.000	3,471.26	216.95	47.84	169.11	2850	25.00	155.18	349.29
Nov-94	1757	1.943	1.370	4,676.98	292.31	47.05	245.26	2819	25.00	222.55	492.81
Dec-94	2037	1.915	1.000	3,900.86	243.80	53.78	190.02	2788	25.00	170.49	385.51
Jan-95	1972	1.820	1.000	3,589.04	224.32	49.46	174.86	2760	25.00	155.27	355.13
Feb-95	1585	1.690	1.000	2,678.65	167.42	36.89	130.53	2729	25.00	114.58	270.11
Mar-95	1479	1.225	1.370	2,482.13	155.13	34.20	120.93	2699	25.00	104.96	250.89
Apr-95	1423	1.277	1.370	2,489.52	155.60	34.33	121.27	2668	25.00	104.02	250.29
May-95	1793	1.362	1.427	3,484.83	217.80	48.05	169.75	2638	25.00	143.93	338.68
Jun-95	1583	1.402	1.427	3,167.04	197.94	43.67	154.27	2607	25.00	129.23	308.50
Jul-95	1592	1.283	1.427	2,914.70	182.17	40.18	141.99	2576	25.00	117.50	284.49
Aug-95	1624	1.278	1.427	2,961.70	185.11	40.82	144.29	2546	25.00	117.97	287.26
Sep-95	1823	1.351	1.427	3,514.52	219.66	48.48	171.18	2515	25.00	138.22	334.40
Oct-95	1658	1.416	1.427	3,350.21	209.39	46.19	163.20	2485	25.00	130.16	318.36
Nov-95	1225	1.478	1.398	2,531.15	158.20	34.89	123.31	2454	25.00	97.09	245.40
Dec-95	1429	1.714	1.398	3,424.13	214.01	47.21	166.80	2423	25.00	129.64	321.44
Jan-96	1327	1.765	1.398	3,274.33	204.65	45.14	159.51	2394	25.00	122.45	306.96
Feb-96	1491	1.784	1.398	3,718.60	232.41	51.27	181.14	2363	25.00	137.21	343.35
Mar-96	1669	1.790	1.398	4,176.54	261.03	57.60	203.43	2333	25.00	152.09	380.52
Apr-96	1553	1.919	1.398	4,166.33	260.40	57.45	202.95	2302	25.00	149.66	377.61
May-96	1622	1.767	1.430	4,098.49	256.16	56.52	199.64	2272	25.00	145.25	369.89
Jun-96	1210	1.841	1.430	3,185.48	199.09	43.92	155.17	2241	25.00	111.32	291.49
Jul-96	1002	1.958	1.430	2,805.54	175.35	38.66	136.69	2210	25.00	96.66	258.35
Aug-96	1423	1.989	1.430	4,047.40	252.96	55.81	197.15	2180	25.00	137.48	359.63
Sep-96	1261	1.909	1.429	3,439.96	215.00	47.46	167.54	2149	25.00	115.12	307.66
Oct-96	1328	2.133	1.430	4,050.65	253.17	55.85	197.32	2119	25.00	133.63	355.95
Nov-96	1463	2.684	1.471	5,776.16	361.01	79.66	281.35	2088	28.14	187.68	497.17
Dec-96	1144	3.371	1.471	5,672.80	354.55	78.21	276.34	2057	27.63	181.52	485.49
Jan-97	1407	3.029	1.471	6,269.11	391.82	86.44	305.38	2029	30.54	197.79	533.71
Feb-97	1217	2.209	1.471	3,954.57	247.16	54.51	192.65	1998	25.00	122.81	340.46
Mar-97	1121	1.710	1.471	2,819.77	176.24	38.88	137.36	1968	25.00	86.21	248.57
Apr-97	1261	1.542	1.471	2,860.30	178.77	39.44	139.33	1937	25.00	86.03	250.36
May-97	1431	1.713	1.465	3,591.16	224.45	49.53	174.92	1907	25.00	106.27	306.19
Jun-97	1143	1.810	1.465	3,030.84	189.43	41.79	147.64	1876	25.00	88.19	260.83

ATTACHMENT IIB

AUDITOR: SGV

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KLEINER #3
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 RRC GAS WELL ID: 10-086360
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09/05/02

INTEREST DATE:
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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
MONTH YEAR	GAS SALES TO REG (A)	PRICE (B)	BTU (C)	GROSS VALUE (D) X (C) X (B)	ROYALTY DUE (4) X (.0625)	ROYALTY PAID	DIFFERENCE DUE - PAID (5) - (6)	NUMBER OF DAYS LATE	PENALTY DUE (7) X (8) X (.05)	INTEREST DUE (9)	TOTAL DUE (7) + (8) + (10)
Jul-97	895	1.738	1.464	2,277.27	142.33	31.41	110.92	1845	25.00	65.13	201.05
Aug-97	1311	1.888	1.465	3,626.12	226.63	50.01	176.62	1815	25.00	101.97	303.59
Sep-97	1568	2.079	1.465	4,775.71	298.48	65.84	232.64	1784	25.00	131.94	389.58
Oct-97	1302	2.193	1.465	4,182.99	261.44	57.66	203.78	1754	25.00	113.56	342.34
Nov-97	1315	2.202	1.480	4,285.53	267.85	59.07	208.78	1723	25.00	114.21	347.99
Dec-97	1437	1.788	1.480	3,802.65	237.67	52.41	185.26	1692	25.00	99.46	309.72
Jan-98	118	1.651	1.480	288.33	18.02	3.97	14.05	1664	25.00	7.41	46.46
Feb-98	439	1.506	1.480	978.48	61.15	13.47	47.68	1633	25.00	24.68	97.36
Mar-98	1332	1.500	1.480	2,957.04	184.82	40.74	144.08	1603	25.00	73.13	242.21
Apr-98	794	1.625	1.480	1,909.57	119.35	26.32	93.03	1572	25.00	46.27	164.30
May-98	946	1.377	1.480	1,927.91	120.49	28.67	91.82	1542	25.00	44.77	161.59
Jun-98	858	1.319	1.480	1,674.92	104.68	23.08	81.60	1511	25.00	38.95	145.55
Jul-98	939	1.311	1.480	1,821.92	113.87	27.10	86.77	1480	25.00	49.54	152.31
Aug-98	1508	1.235	1.480	2,756.77	172.30	38.00	134.30	1450	25.00	61.42	220.72
Sep-98	1319	1.131	1.480	2,208.63	138.04	30.44	107.60	1419	25.00	48.11	180.71
Oct-98	1440	1.302	1.480	2,774.82	173.43	38.25	135.18	1389	25.00	59.11	219.29
Nov-98	960	1.291	1.480	1,834.25	114.64	25.28	89.36	1358	25.00	38.16	152.52
Dec-98	692	2.080	1.480	2,130.25	133.14	16.37	116.77	1327	25.00	48.68	190.45
Jan-99	842	1.040	1.481	1,296.88	81.06	19.29	61.77	1299	25.00	25.18	111.95
Feb-99	1174	1.074	1.481	1,867.36	116.71	27.77	88.94	1268	25.00	35.35	149.29
Mar-99	1427	1.268	1.481	2,679.77	167.49	36.94	130.55	1238	25.00	50.60	206.15
Apr-99	1284	1.541	1.481	2,930.90	183.18	40.40	142.78	1207	25.00	53.89	221.67
May-99	1144	1.677	1.481	2,840.99	177.56	39.16	138.40	1177	25.00	50.87	214.27
Jun-99	1083	1.707	1.481	2,737.21	171.08	37.73	133.35	1146	25.00	47.65	206.00
Jul-99	939	1.945	1.481	2,704.74	169.05	37.28	131.77	1115	25.00	45.75	202.52
Aug-99	701	2.620	1.000	1,836.62	114.79	31.36	83.43	1085	25.00	28.14	136.57
Sep-99	1087	2.156	1.481	3,470.69	216.92	51.61	165.31	1054	25.00	54.08	244.39
Oct-99	1056	2.362	1.481	3,693.49	230.84	50.91	179.93	1024	25.00	57.09	262.02
Nov-99	988	2.426	1.481	3,549.88	221.87	48.93	172.94	993	25.00	53.10	251.04
Dec-99	1021	2.098	1.481	3,172.84	198.30	43.73	154.57	962	25.00	45.89	225.46
Jan-00	966	2.295	1.481	3,283.64	205.23	45.26	159.97	933	25.00	45.97	230.94
Feb-00	909	2.777	1.480	3,735.89	233.49	51.49	182.00	902	25.00	50.44	257.44
Mar-00	1068	2.764	1.480	4,369.50	273.09	60.23	212.86	872	25.00	56.90	294.76
Apr-00	934	2.467	1.480	3,409.71	213.11	47.00	166.11	841	25.00	42.71	233.82
May-00	924	2.429	1.480	3,321.36	207.59	49.38	158.21	811	25.00	39.11	222.32
Jun-00	968	3.346	1.480	4,793.49	299.59	66.07	233.52	780	25.00	55.35	313.87
Jul-00	871	3.287	1.480	4,237.02	264.81	58.40	206.41	749	25.00	46.82	278.23
Aug-00	569	3.296	1.480	2,776.00	173.50	38.26	135.24	719	25.00	29.35	189.59
Sep-00	1228	3.740	1.480	6,796.66	424.79	93.68	331.11	688	33.11	68.47	432.69
Oct-00	1378	3.833	1.480	7,816.57	488.54	107.74	380.80	658	38.08	74.99	493.87
Nov-00	1108	3.743	1.480	6,137.45	383.59	84.59	299.00	627	29.90	55.84	384.74
Dec-00	860	3.401	1.480	4,329.04	270.57	76.88	193.69	596	25.00	34.19	252.88
Jan-01	1029	6.226	1.480	9,481.35	592.58	130.68	461.90	568	46.19	77.30	585.39
Feb-01	995	4.140	1.480	6,096.91	381.06	84.04	297.02	537	29.70	46.68	373.40
Mar-01	678	5.030	1.480	5,047.30	315.46	78.84	236.62	507	25.00	34.85	296.47
Apr-01	914	5.370	1.480	7,264.11	454.01	68.54	385.47	476	38.55	52.85	476.87
May-01	1041	4.910	1.480	7,564.74	472.80	77.50	395.30	446	39.53	50.29	485.12
Jun-01	879	2.844	1.480	3,699.66	231.23	50.99	180.24	415	25.00	21.10	226.34

ATTACHMENT IIB

AUDITOR: SGV

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE: M-102371
 FIELD: KLEWER #3
 LEASE: FOLLETT (MORROW, UP)
 DISTRICT: LIPSCOMB
 RRC GAS WELL ID: 10-086160
 STATES'S ROYALTY DECIMAL .062500

09/05/02

INTEREST DATE:
 10/04/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
MONTH/ YEAR	GAS SALES TO RRC (A)	PRICE (B)	BTU (C)	GROSS VALUE (D) = (C) X (B)	ROYALTY DUE (E) = (D) X (.0625)	ROYALTY PAID	DIFFERENCE DUE - PAID (F) = (E) - (F)	NUMBER OF DAYS LATE	PENALTY DUE (G)	INTEREST DUE (H)	TOTAL DUE (I) = (E) + (G) + (H)
Jul-01	764	2.199	1.480	2,486.67	155.42	34.27	121.15	384	25.00	12.94	159.09
Aug-01	1006	2.606	1.480	3,880.43	242.53	53.49	189.04	354	25.00	18.33	232.37
Sep-01	1260	2.390	1.465	4,411.70	275.73	55.64	220.09	323	25.00	19.10	264.19
Oct-01	1327	1.956	1.465	3,802.74	237.67	52.41	185.26	293	25.00	14.25	224.51
Nov-01	849	2.121	1.465	2,638.11	164.88	36.36	128.52	262	25.00	8.58	162.10
Dec-01	97	2.300	1.465	326.84	20.43	3.38	17.05	231	25.00	0.96	43.01
Jan-02	451	2.610	1.465	1,724.47	107.78	16.64	91.14	203	25.00	4.31	120.45
Feb-02	864	1.552	1.465	1,963.90	122.74	27.07	95.67	172	25.00	3.55	124.22
Mar-02	866	2.103	1.465	2,667.61	166.73	36.77	129.96	142	25.00	3.55	158.51
Apr-02	690	2.595	1.460	2,614.24	163.39	36.03	127.36	111	25.00	2.18	154.54
					\$25,281.37	\$5,385.50	\$19,895.87		\$2,860.28	\$11,369.63	\$34,125.78

COMMENTS:

- (A) RRC VOLUME - GAS VOLUMES REPORTED TO THE RRC ON FORM P-2.
 (B) PRICE AND BTU - OBTAINED FROM GLO-2 REPORTS SUBMITTED BY TOM MCGEE CORP.
 (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

OPERATOR: MCGEE, TOM CORPORATION
 STATE LEASE M-102371
 FIELD: KLEWER #3
 LEASE: FOLLETT (MORROW, UP)
 COUNTY: LIPSCOMB
 RRC GAS WELL ID: 10-086360
 STATES'S ROYALTY DECIMAL .062500

ATTACHMENT IIA

AUDITOR: SGV
 FILE: C:/EXCEL/SCHEDOIL.XLS
 09/05/02

PENALTY/
 INTEREST DATE:
 10/04/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
MONTH YEAR	VOLUME REPORT TO RRC (A)	PRICE (B)	GROSS VALUE (C) = (A) * (B)	ROYALTY DUE (D) = (C) * (4)	ROYALTY PAID (E)	AMOUNT DIFFERENCE (F) = (D) - (E)	NUMBER OF DAYS LATE (G)	PENALTY DUE (H) = (F) * (7)	INTEREST DUE (I) = (F) * (8)	TOTAL DUE (J) = (D) + (H) + (I)
Apr-94	184.00	13.80	2,539.20	158.70	35.07	123.63	3043	25.00	121.29	269.92
Dec-94	181.00	17.16	3,105.96	194.12	37.54	156.58	2798	25.00	141.00	322.58
Apr-96	178.00	23.57	4,195.46	262.22	57.60	204.62	2312	25.00	151.56	381.18
Jun-97	178.00	17.17	3,056.26	191.02	42.22	148.80	1886	25.00	89.38	263.18
Aug-98	131.00	10.88	1,425.15	89.07	19.60	69.47	1460	25.00	32.00	126.47
Jul-99	132.28	17.46	2,309.61	144.35	31.83	112.52	1125	25.00	39.43	176.95
Sep-00	127.00	31.46	3,995.17	249.70	54.75	194.95	698	25.00	40.96	260.91
Dec-01	149.00	10.88	1,620.97	101.31	19.60	81.71	241	25.00	4.89	111.60
				\$1,390.49	\$298.21	\$1,092.28		\$200.00	\$620.51	\$1,912.79

COMMENTS:

- (A) OIL DISPOSITIONS OBTAINED FROM RRC P-1 REPORTS AND COMPANY'S GLO-1 REPORTS FOR THE TIME PERIOD 199306-200204.
- (B) PRICES ARE OBTAINED FROM COMPANY'S GLO-1 REPORTS SUBMITTED TO GLO WHEN AVAILABLE. PRICES OBTAINED FROM WTI OIL PRICE GUIDE WHEN GLO-1 REPORTS NOT AVAILABLE.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

4

File No. M-102371
Lipcomb County

Date Filed: _____

Jerry Patterson, Commissioner

By [Signature]

reporting-control - Windows Internet Explorer

https://iglo.glo.state.tx.us/RRAC_UI/rrac.jsp

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reporting-control

Page Safety Tools

Pending Record

Tom McGee Corp

Pending Delete

Original Record

Reporting Status	Reporting	Property Alias	
GLO Lease	102371	Report Form	GLO1
GLO Unit		Business Role	Operator
RRC District	10	Reports Expected	1
RRC Number	086360	First Reporting	201104
Drilling Permit		Filing Frequency	Monthly
RRC Lease Type	Gas	Suspend To	
		Suspend From	

Customer Comment

Well shut-in waiting to be plugged.

GLO Comment

Approve Reject Exit

MF102371

No gas production since 9/2012

terminated 12-1-12.

Done

Internet

100%

08:49:39 Tue Jan 29, 2013

DISTRICT > 10 GAS LEDGER INQUIRY
FIELD > FOLLETT (MORROW, UP) # 31829 600
OPERATOR > MCGEE, TOM CORPORATION # 549380
LEASE > KLIEWER # 086360 WELL # 3

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* CODE	* AMT	* CODE	CUMU STAT	G/C (MCF/BBL)	RATIO
01/2012	899 N	713	0	705	2	8	9	0	102	
02/2012	812 N	683	0	675	2	8	9	0	98	
03/2012	837 N	744	0	736	2	8	9	0	106	
04/2012	690 N	621	0	614	2	7	9	0	104	
05/2012	539 N	539	0	532	2	7	9	0	90	
06/2012	499 N	499	0	492	2	7	9	0	83	
07/2012	651 N	590	0	582	2	8	9	0	84	
08/2012	777 N	777	0	768	2	9	9	0	97	
09/2012	696 N	696	0	688	2	8	9	0	99	
10/2012	589 N	0	0					0	0	
11/2012	750 N	0	0					0	0	
12/2012	713 N	NO RPT						0		

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG
** PRESS ENTER TO SCROLL **

DISTRICT > 10 CONDENSATE LEDGER INQUIRY
FIELD > FOLLETT (MORROW, UP) # 31829 600
OPERATOR > MCGEE, TOM CORPORATION # 549380
LEASE > KLIEWER # 086360 WELL # 3

MM/CCYY	PROD	* AMT	* CODE	* AMT	* CODE	EOM
01/2012	7					89
02/2012	7					96
03/2012	7					103
04/2012	6					109
05/2012	6					115
06/2012	6					121
07/2012	7					128
08/2012	8					136
09/2012	7					143
10/2012	2					145
11/2012	2	133	1			14
12/2012	NO RPT					14

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=GAS PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG
** PRESS ENTER TO SCROLL **

File No. 102371 (S)

County
Notice from operator - well to be plugged

Date Filed: 1-29-2013

George P. Bush, Commissioner

By _____